EXHIBIT C

Investment Review

For Fiscal Year July 1, 2006, through June 30, 2007
Prepared by STRS Ohio's Investments Associates

Fears that the "worst of all worlds" would develop were premature

The 1990s decade-long expansion was often characterized as having been the "best of all worlds" because of solid real economic growth with low inflation. In the early months of fiscal 2007, many economists worried that the "worst of all worlds" — slow economic growth with the threat of higher inflation — was about to appear. The yearlong warnings that a five-year home price bubble was about to burst and drag consumer spending down with it (as consumers felt less financially secure) appeared more evident to some after the first fiscal quarter results were announced.

Fiscal 2007 started off slowly with real gross domestic product (GDP) advancing only 1.1% in the first quarter — well below the 3.2% growth registered in fiscal 2006 and the average annualized growth of 3% over the first 18 quarters of the current economic expansion that preceded fiscal 2007. While consumer spending grew 2.7% (just short of its long-term potential) in that quarter, most other economic sectors were drags on the economy's growth. The housing sector, in particular, took 1.33 percentage points off of economic activity as residential investment fell 20.4% during that quarter. At the same time, inflation fears were growing as energy prices continued to soar and businesses faced the problem of trying to pass along price increases to consumers in a slowing economy.

Yet, a negative wealth effect from falling home prices was not reinforced by rising unemployment and falling incomes. Instead, employment continued to grow by 1.4% over the fiscal year — equivalent to nearly two million new jobs being created in fiscal 2007, marginally less than the results of the prior two fiscal years when the economy grew a solid average annualized rate of 3.1%. Meanwhile, worker wages accelerated from a 2.5% clip in fiscal 2005 to 2.9% in fiscal 2006 to 3.4% in fiscal 2007, coinciding with a drop in the unemployment rate from 5.6% at the beginning of fiscal 2005 to 4.5% at the end of fiscal 2007.

What is evident now is that the U.S. economy was not solely dependent upon soaring home prices to support a wealth effect that would prop up consumer spending. The fundamental building blocks — employment and income growth — were already there. In fact, while the economy grew a soft 1.9% in fiscal 2007, consumer spending continued at a solid clip of 2.9% — nearly two years after the housing sector began its decline.

Inflation swung wildly even as core inflation remained well-behaved

While parts of the U.S. economy weakened and other segments continued to chug along, news from the inflation front in fiscal 2007 remained quite similar to what it was in recent years — overall inflation swung wildly due to energy cost changes while core inflation (excluding energy and food costs) measures fell into the upper bound of the Federal Reserve's acceptable target range. The U.S. and global economies are still reaping the benefits of increasing globalization and technological changes that were first introduced in the mid-1990s. At the same time, central banks around the world improved their monetary policy operations by focusing on containing inflation pressures before they erupted into uncontrollable fits of actual inflation. As a result, businesses and consumers have been able to make better long-term decisions from the guarantee that central banks will run responsible monetary policies. It is that guarantee, along with greater global opportunities, that has allowed the U.S. economy to reach historic lengths for its robust expansions while growth in core prices remain well-behaved.

Recession risks have grown, but the U.S. economy will likely rebound with support from the Federal Reserve

It is increasingly evident that a collapse in home prices will not likely trigger a recession in either fiscal 2007 or fiscal 2008 as some have feared. Macroeconomic models and business and consumer surveys all point to a future economy that may stay somewhat subdued in the near term, but is set to accelerate as we advance through fiscal 2008. While future growth prospects have perked up, underlying inflation pressures have not. In fact, inflation models remain in a mild cyclical downtrend, affirming that inflation pressures are still in check.

If near-term growth modestly rebounds as expected, the U.S. mid-cycle economic slowdown will have lasted six quarters with an average annualized growth rate over that period of 2% — well below the economy's long-term potential growth rate of roughly 3.25%. That length and magnitude of slower economic growth would be comparable to the other mid-cycle slowdowns recorded in the two recent historically long economic expansions. In the 1990s expansion, a five-quarter slowdown from the first quarter of 1995 through the first quarter of 1996 occurred in which average annualized growth was 2.2%. In the 1980s expansion, a four-quarter slowdown from the second quarter of 1986 through the first quarter of 1987 occurred in which average annualized growth was 2.5%.

The Federal Reserve will make some changes in monetary policy during fiscal 2008. It has already cut short-term interest rates 0.50% in the early part of the fiscal year from the July 1 federal funds rate of 5.25%. Significantly slower growth, consistently below 2% for real GDP, may be needed for the Federal Reserve to lower short-term rates even more. Any interest rate reductions would probably be geared toward restoring slipping confidence in the economy and financial markets instead of trying to prevent the economy from slipping into a recession. Because we expect economic activity to rebound toward its long-term potential late in the fiscal year, the Federal Reserve might have to take back part of the rate cuts late in the year or, at a minimum, warn about future rate hikes so that inflation and inflation expectations do not once again pick up.

Interest rates remain stable for much of the fiscal year

The Federal Reserve held the federal funds rate steady at 5.25% during the fiscal year. They maintained this rate to keep inflation expectations at an acceptable level. Stable short-term rates supported relatively stable 10-year Treasury yields as they began the year at 5.14% and finished the year at 5.03%. Since bond prices rise when interest rates fall, total returns (price change plus coupon income) were more than coupon income, which resulted in attractive bond returns in fiscal 2007.

The STRS Ohio fixed-income portfolio returned 7.14% versus the benchmark's return of 6.62%. Over the three prior fiscal years, the STRS Ohio fixed-income portfolio returned an annual average of 4.83% versus the benchmark's return of 4.53%. The STRS Ohio performance over the prior five fiscal years was 5.73% versus the benchmark's 5.17%. A more complete report of STRS Ohio performance appears on Page 49.

Total returns surge for domestic equities

The U.S. equity markets had an extremely strong fiscal 2007, generating a total return of 20.4% as measured by the Russell 1000. The telecommunications sector was the best performer as investors were drawn to the growing free cash flow in the sector. Materials and energy were also among the leaders with oil and other commodity prices rising strongly throughout the year. The emerging economies continue to grow rapidly, particularly China and India, and demand for energy and commodities remains robust.

Better-than-expected earnings growth has been the main driver of the strong performance, with earnings up 12% over the prior fiscal year. Valuations also increased in reaction to a surge in leveraged buyout (LBO) activity toward the end

of the fiscal year. Earnings growth decelerated in the last half of the year, however, and growth may slow further in fiscal 2008.

The STRS Ohio domestic equities portfolio returned 21.24% versus the Russell 3000 benchmark's return of 20.07%. Over the three prior fiscal years, the STRS Ohio domestic equities portfolio returned an annual average of 12.98% versus the benchmark's return of 12.44%. The STRS Ohio performance over the prior five fiscal years was 11.65% versus the benchmark's 11.38%. A more complete report of STRS Ohio performance appears on Page 49.

Strong earnings and global growth help international equities overcome higher interest rates

Equity markets rose strongly around the world during the year ended June 30, 2007. The developed markets, represented by the Morgan Stanley Capital International (MSCI) World ex USA Index, rose 26.4%, and the emerging markets, represented by the MSCI Emerging Market Free (EMF) Index rose a stunning 45.5%. The continued strength in the global economy and corporate earnings allowed investors to downplay the importance of rising interest rates. Monetary policies were considerably less accommodating over the prior 12 months, but investors seemed willing to overlook high energy prices and rising short-term interest rates in favor of lower volatility, strong corporate earnings and increased risk tolerances. The result was exceptional returns for the fourth consecutive year.

The returns in the international markets were strong across every region for the year with every market but one — Jordan — having positive returns. Of the developed markets, the leaders were Singapore, which rose 60.7%, New Zealand (+51.9%) and Portugal (+49.7%). Among the emerging markets, Peru rose 111.4%, the Philippines were up 102.4%, China grew 79.8% and Hungary was up 69.9%. Currency played a mixed role in returns for fiscal 2007 as the euro appreciated another 5.6%, giving a modest boost to returns for U.S. dollar-based investors. However, the yen fell 7% against the dollar.

The STRS Ohio international portfolio returned 30.79% versus the benchmark's return of 30.07%. Over the past three fiscal years, the STRS Ohio international portfolio returned an annualized 27.30% versus the benchmark's return of 25.99%. The STRS Ohio performance over the prior five fiscal years was 20.49% versus the benchmark's 19.06%. A more complete report of STRS Ohio performance appears on Page 49.

Real estate continues to post healthy gains

During fiscal 2007, both private market real estate and public market real estate (REITs) returns exceeded their long term expected averages. For the first time in four years, the private market significantly outperformed the public market as REITs gave back some of the extraordinary gains of the prior several years. However, the public market, represented by the Wilshire REIT Index, still turned in an attractive return of 11.6% for the fiscal year.

The primary driver of real estate returns in fiscal 2007 was improving property-level fundamentals. Investor demand for tangible assets that then led to a flow of funds into the sector still played a role but, as expected, to a lesser degree. Next year, overall returns should continue to moderate as well.

The STRS Ohio real estate portfolio returned 26.72% versus the benchmark's return of 16.27%. Over the three prior fiscal years, the STRS Ohio real estate portfolio returned an annual average of 25.19% versus the benchmark's return of 18.27%. The STRS Ohio performance over the prior five fiscal years was 19.65% versus the benchmark's 14.70%. A more complete report of STRS Ohio performance appears on Page 49.

Total fund returns outperformed benchmark returns in fiscal 2007

During fiscal 2007, the STRS Ohio fund returned 20.73% versus the benchmark's (hybrid index of industry benchmarks) return of 19.49%. All the STRS Ohio portfolios registered gains during the fiscal year. Over the three prior fiscal years, the STRS Ohio fund returned an annual average of 15.51% versus the benchmark's return of 14.34%. The STRS Ohio fund performance over the prior five fiscal years was 13.17% versus the benchmark's 12.16%. The strong performance in fiscal 2007 was the fourth consecutive year that the fund's total return exceeded the absolute long-term policy standard for STRS Ohio investments. A more complete report of STRS Ohio fund performance appears on Page 49.

Statement of Investment Objectives and Policy

Effective Nov. 17, 2006

1.0 Purpose

1.1 The State Teachers Retirement Board of Ohio (the "Board") is vested with the operation and management of the State Teachers Retirement System of Ohio ("STRS Ohio") (ORC Section 3307.04). The Board has the full power to invest the assets (the "Fund") of STRS Ohio (ORC Section 3307.15). The Board is required to ". . . adopt in a regular meeting, policies, objectives or criteria for the operation of the investment program . . ." (ORC Section 3307.15).

1.2 To fulfill the statutory requirement of ORC Section 3307.15, the Board has adopted this Statement of Investment Objectives and Policy (the "Statement") to govern the investment of the Fund. This Statement summarizes the objectives and policies for the investment of the Fund.

1.3 The Board has approved these objectives and policies after careful consideration of STRS Ohio benefit provisions, and the implications of alternative objectives and policies.

1.4 The Statement has been prepared with five audiences in mind: incumbent, new and prospective Board members; STRS Ohio investment staff; STRS Ohio active and retired members; Ohio General Assembly and Governor; and agents engaged by the Board to manage and administer the Fund.

1.5 The Board regularly, but in no event less than annually, will assess the continued suitability of this Statement, initiate change as necessary and update this Statement accordingly.

1.6 The Board may authorize its administrative officers and committees to act for it in accord with its policies (ORC Sections 3307.04 and 3307.15). The Board, no less frequently than annually, adopts a resolution delegating to the Executive Director and the Deputy Executive Director — Investments, the authority to acquire, dispose, operate and manage the Fund, subject to the Board's policies and to subsequent approval by the Board. Consequently, the Executive Director, the Deputy Executive Director — Investments and the investment staff are responsible for preparing and maintaining numerous supporting management documents that govern the implementation of Board policies, including, but not limited to, individual investment manager mandates and guidelines, agent agreements and limited partnership documents.

1.7 In carrying out the operation and management of STRS Ohio, the Board, the Executive Director, his/her investment staff and others that are considered fiduciaries as defined in ORC Section 3307.01(K) are subject to various fiduciary responsibilities in ORC Chapter 3307, including those found in ORC Sections 3307.15, 3307.151, 3307.181 and 3307.18. This Statement incorporates, and is subject to, all of the provisions of ORC Chapter 3307.

1.8 The Board acknowledges its responsibilities under ORC Chapter 3307 and to the extent that this Statement is inconsistent with ORC Chapter 3307, Chapter 3307 shall control.

1.9 The Board approved this Statement on Nov. 17, 2006.

2.0 Investment Objective

2.1 Subject to the Ohio Revised Code, the investment objective for the total fund is to earn, over moving 20-year periods, an annualized return that equals or exceeds the actuarial rate of return (ARR) approved by the Board to value STRS Ohio liabilities. The current actuarial rate of return is 8.0%.

2.2 The Board believes, based on the assumptions in this Statement, that the investment policies summarized in this Statement will achieve this long-term actuarial objective, at an acceptable level of risk. The Board evaluates risk in terms of the probability of not achieving the ARR over a 20-year time horizon.

3.0 Asset Mix Policy, Risk Diversification and Return Expectations

3.1 After careful consideration of the investment objectives, liability structure, funded status and liquidity needs of STRS Ohio, and the return, risk and risk-diversifying characteristics of different asset classes, the Board approved the asset mix policy presented in Exhibit 1. The exhibit also summarizes the Board's return expectations for the asset mix policy and active management.

3.2 Seventy percent of the Fund is targeted for investment in equities, inclusive of alternative investments. Equity investments have provided the highest returns over long time periods, but can produce low and even negative returns over shorter periods.

3.3 The risk of low returns over shorter time periods makes 100% equity policies unsuitable for most pension funds, including STRS Ohio. By investing across multiple equity asset classes, and in lower return but less risky fixed income and real estate, the Board is managing and diversifying total fund risk.

3.4 Forecasts of capital market and active management returns undertaken by the Board's asset management consultant indicate that the Board's investment policy summarized in Exhibit 1 has an expected 20-year annualized return of 8.4%. The expected 8.4% annualized return is 0.4% above the Board-approved 8.0% actuarial rate of return.

3.5 From the 2005 Asset/Liability Study, the 7.42% expected asset mix policy return was developed with reference to the observed long-term relationships among major asset classes. The Board believes this return expectation is reasonable, but recognizes that the actual nine-year asset mix policy return can deviate significantly from this expectation — both positively and negatively.

3.6 Fund assets are invested using a combination of passive and active management strategies. Active management of public market securities and real estate assets is expected to earn net 0.40% per annum of additional returns over moving five-year periods. The Board recognizes that unsuccessful active management can reduce total fund returns.

Exhibit 1: Asset Mix Policy and Return Expectations for STRS Ohio Total Fund

Asset Class	Target Allocation	Rebalancing Range	Expected Nine-Year Policy Returns[1,2]	Expected Five-Year Management Returns[3]	Expected Total Return
Equity					
Domestic	42%	35–50%	8.00%	0.25%	8.25%
International	25%	20–30%	8.00%	1.00%	9.00%
Alternatives	3%	2–5%	10.70%		10.70%
Total Equity	70%				
Fixed Income	20%[4]	15–30%	5.50%	0.35%	5.85%
Real Estate	10%[4]	6–12%	6.70%	0.75%	7.45%
Liquidity Reserve	0%	0–5%	4.20%		4.20%
Total Fund	100%		7.42%	0.40%	7.82%

[1] Based on the 2005 Asset/Liability Study.

[2] The 20-year return forecast is 8.4% per year.

[3] Individual asset classes are gross value added; the total fund is net value added.

[4] Due to illiquidity, the target allocation for real estate will be phased in over the next 18 months. The real estate target weight will be 9.0% on Jan. 1, 2006 (fixed income at 21%); 9.5% on July 1, 2006 (fixed income at 20.5%); and 10% on July 1, 2007 (fixed income at 20%).

3.7 Investment objectives and guidelines for individual asset classes have been approved by the Board, and are summarized below.

3.8 Liquidity reserves are kept at a minimum level, but sufficient to cover the short-term cash flow needs. STRS Ohio investment staff may utilize a derivative overlay to maintain the level at 0%.

3.9 The Board reviews at least annually its expectations for asset class and active management performance, and assesses how the updated expectations affect the probability that the Fund will achieve the established investment objectives.

4.0 Rebalancing

4.1 Exposures to selected asset classes are actively managed within the rebalancing ranges specified in Exhibit 1. Rebalancing ensures that the Fund's actual asset allocation remains close to the target asset mix policy.

4.2 The Fund's actual asset allocation is monitored at least monthly relative to established asset allocation policy targets and ranges. The timing and magnitude of rebalancing are decided with due consideration to the liquidity of the investments and the associated transaction costs.

4.3 In its Annual Investment Plan prepared for the Board, staff explains how it is managing asset class exposures based on short- and intermediate-term capital forecasts.

4.4 The impact of rebalancing decisions on total fund returns is included in investment performance reports to the Board.

5.0 Passive and Active Management Within Risk Budgets

5.1 STRS Ohio investment staff has been delegated the responsibility for managing the Fund's exposure to passive and active investment strategies, subject to the constraint that active risk does not exceed Board-approved target risk budgets for the total fund and individual asset classes.

5.2 The Board has approved a target risk budget range of 0.60% to 1.40% annualized for active management for the total fund. In exchange for assuming this level of active risk, the Board expects active management to add net 0.40% of annualized excess return over moving five-year periods.

5.3 The Board realizes that actual management returns will likely be above or below the net 0.40% target over any five-year moving period, and therefore will evaluate the success of the STRS Ohio active management program within this context. The Board recognizes that any amount of management return in excess of the associated investment costs improves the security of STRS Ohio plan members.

5.4 Passive management uses low-cost index funds to access the return streams available from the world's capital markets. Indexed funds control costs, are useful tools for evaluating active management strategies, capture exposure to the more efficient markets and facilitate rebalancing to the policy asset mix.

5.5 Active management tries to earn higher returns than those available from index funds by making value-adding security selection and asset mix timing decisions. Unsuccessful active management earns below index fund returns.

5.6 Because there are no index fund products for real estate and alternative investments, these asset classes must be actively managed.

6.0 Global Equities — Domestic

6.1 Domestic equity is being managed relative to a Board-approved risk budget range of 0.20% to 1.50%, and is expected to earn at least 0.25% of annualized excess return above the Russell 3000 Index over moving five-year periods.

6.2 Key elements of the strategy:

(a) The portfolio's active management adds value primarily through security selection. Sector tilts by style, economic sectors or market capitalization are managed in accordance with the risk budget for domestic equities.

(b) The portfolio utilizes a variety of portfolio management approaches including quantitative and fundamental techniques to diversify the source of excess return.

(c) The portfolio utilizes a combination of internal and external management, utilizing multiple internal portfolio managers and multiple external manager firms to improve the likelihood of achieving excess returns, to diversify risk and to control costs.

6.3 Short sales may be used in the management of STRS Ohio domestic equity portfolios.

7.0 Global Equities — International

7.1 International equity is being managed relative to a Board-approved risk budget range of 1.0% to 2.5%, and is expected to earn at least 1.0% of annualized excess return above a blended benchmark of 80% MSCI World ex US (50% hedged) and 20% MSCI Emerging Market Free Index over moving five-year periods.

7.2 Key elements of the strategy:

(a) The portfolio emphasizes fundamental management approaches and exposures to security selection and country allocation decisions. These decisions have been shown to be the principal sources of the excess return in international equity portfolios. Managers have the ability to add value through currency management.

(b) Aggregate exposures to countries, currencies, equity styles and market capitalization are monitored and managed relative to their benchmark exposures.

(c) The portfolio utilizes a combination of internal and external management, with multiple internal portfolio managers and multiple external manager firms to improve the likelihood of achieving excess returns, to diversify risk and to control costs.

7.3 Short sales may be used in the management of STRS Ohio international equity portfolios.

8.0 Fixed Income

8.1 Fixed income is being managed relative to a Board-approved risk budget range of 0.10% to 1.30%, and is expected to earn at least 0.35% of annualized excess returns above the Lehman Brothers Universal Bond Index over moving five-year periods.

8.2 All of fixed income is actively managed because active management is generally low cost and market opportunities exist for skilled managers to generate excess returns.

8.3 Key elements of the strategy:

(a) The portfolio will primarily be managed internally, with multiple external managers utilized in specialist segments of the market such as high yield and emerging market debt.

(b) The portfolio will emphasize issue selection, credit analysis, sector allocations and duration management.

(c) Aggregate exposures to duration, credit and sectors are monitored and managed relative to corresponding exposures in the asset class benchmark.

8.4 Short sales may be used in the management of STRS Ohio fixed-income portfolios.

9.0 Real Estate

9.1 Real estate investments are being managed relative to a Board-approved risk budget range of 2.0% to 7.0%, and are expected to earn at least 0.75% of annualized excess returns above a composite benchmark over moving five-year periods. The composite benchmark is 80% NCREIF Property Index, 10% NCREIF Timberland Index and 10% Wilshire Real Estate Investment Trust Index.

9.2 Key elements of the strategy:

(a) Real estate is 100% actively managed because index funds replicating the real estate broad market are not available. The portfolio is primarily managed internally.

(b) Direct property investments represent most of the real estate portfolio. Specialist managers are utilized. Risk is diversified by investing across major property types and geographic areas.

(c) Leverage of up to 50% is permitted with the core real estate portfolio.

(d) Publicly traded real estate investment trusts (REITs) are targeted at 10% of the real estate portfolio to enhance liquidity, diversification and excess returns.

(e) Non-core real estate investments are limited to 20% of the real estate portfolio. Investment strategies will be characterized as "opportunistic" based on the market conditions prevailing at the time of investment.

(f) Leverage is employed within REITS and non-core real estate investments, and these leverage levels are monitored by STRS Ohio investment staff.

9.3 Short sales may be used in the management of REITs.

10.0 Alternative Investments

10.1 Alternative investments are being managed with the objective of earning at least 5% net of fees above domestic public equity markets over very long time horizons, typically moving 10-year periods. Because alternative investments are traded infrequently, risk budget concepts are not applicable.

10.2 Key elements of the strategy:

(a) Alternative investments are 100% actively managed because index funds are not available.

(b) Asset class risk is diversified by investing across different types of alternative investments including private equity (venture capital, leverage buyouts, mezzanine debt, sector and international funds), distressed debt and hedge funds.

(c) Private equity risk is also diversified by investing across vintage years, industry sectors, investment size, development stage and geography.

(d) Private equity investments are managed by general partners with good deal flow, specialized areas of expertise, established or promising net-of-fees track records, and fully disclosed and verifiable management procedures.

11.0 Derivatives

11.1 Derivatives may be used in the management of STRS Ohio internal and external liquidity reserves, fixed-income, equity and real estate portfolios. Derivatives are typically, but not exclusively, futures contracts, equity swaps, credit default swaps, option contracts and option contracts on futures for market indexes. Options on individual securities, baskets of securities and equity-linked notes, and shortening for positioning purposes are further examples. Derivatives are both exchange traded and traded over the counter.

11.2 Derivative exposures must be of a hedging or positioning nature. As a percentage of Fund assets, the underlying exposure of all positioning derivatives will not exceed:

(a) 5% for fixed-income investments;

(b) 10% for domestic equity investments;

(c) 10% for international equity investments; and,

(d) 1% for real estate investments.

Hedging derivatives will not be included in the limits above, but must be footnoted.

11.3 Any use of leverage will adhere to asset allocation restrictions and asset class active management risk range constraints.

12.0 Proxy Voting

12.1 Common stock proxies are valuable and should be voted in the best interest of STRS Ohio active and retired members.

12.2 The Board shall maintain stock proxy voting policies and has directed staff and the proxy voting agents to use these policies as guidelines for voting common stock proxies held by the Fund.

13.0 Ohio Investments

13.1 The Board will give due consideration to investments that enhance the general welfare of the state and its citizens provided that assets are invested in the best interest of STRS Ohio active and retired members. Preference will be given to Ohio investments

offering competitive returns at risk levels comparable to similar investments currently available to the Board.

13.2 STRS Ohio investment staff shall maintain and implement an Ohio Investment Plan. The plan shall set forth procedures to assure that a special effort will be made by the investment staff to examine and evaluate all legal investment opportunities in the state and, where policy criteria are satisfied, to acquire such investments.

14.0 Broker-Dealers

14.1 Purchases and sales of publicly traded securities shall be executed with broker-dealers from a list reviewed by the Board. In those rare situations where best execution cannot be achieved through a broker-dealer on the list, the Deputy Executive Director — Investments, may approve the use of a broker-dealer not on the list.

14.2 Selection shall be based on an evaluation by the investment staff as to financial soundness, underwriting capabilities, research services, execution capabilities and other factors required by the staff to fulfill its assigned investment responsibilities.

14.3 Specific transactions will be directed to the broker on that list most capable of providing brokerage services necessary to obtain both the best available price and the most favorable execution.

14.4 The Board shall give equal consideration to smaller Ohio-headquartered broker-dealers or smaller broker-dealers with at least one Ohio office, and broker-dealers owned and controlled by minorities and/or women.

14.5 The Board has a goal to increase the use of Ohio-qualified broker-dealers for the execution of domestic equity and fixed-income securities transactions, when the services that Ohio-qualified broker-dealers provide are equal in quality, cost, scope and execution capabilities to all broker-dealers approved to transact securities transactions on behalf of the Board.

14.6 Each firm listed shall file with the Board on an annual basis such evidence of financial responsibility as required by the Board. This information shall include, but not be limited to, an audited financial statement.

14.7 When stocks are purchased during underwriting, allocations may be made to dealers not on the approved list provided the managing underwriter is so listed.

14.8 When entering into real estate transactions, the Board shall give equal consideration to Ohio firms providing associated professional services, minority-owned and controlled firms, and firms owned and controlled by women.

15.0 Securities Lending

15.1 The Board may operate a securities lending program to enhance the income of the Fund. The program must be operated by a bank trustee who follows the custodial requirements of the Treasurer of State and each security lent must be fully collateralized. Results of the program must be reported to the Board annually.

16.0 Securities Litigation

16.1 Involvement in securities litigation is an important responsibility for institutional investors with major public market exposure. The Board shall maintain a policy to determine the appropriate action to be taken when class action litigation is initiated against a company that generates a significant loss for the Board during the class period.

17.0 Security Valuation

17.1 Valuation of investments shall be the total of:

(a) The primary closing price on the principal registered stock exchange for all common and preferred stocks so listed.

(b) The NASDAQ Official Closing Price (NOCP) as reflected by NASDAQ for common and preferred stocks not listed on a registered stock exchange.

(c) The current value as determined by a qualified independent service for all

bonds, notes and certificates of indebtedness.

(d) Amortized cost for commercial paper, certificates of deposit, repurchase agreements and other short-term investments with a maturity of 270 or fewer days.

(e) Real estate valued through a combination of independent appraisals and manager valuations. Methodology underlying internal valuations will be reviewed by the real estate consultant. REIT shares are valued at primary closing prices on the principal registered stock exchange.

(f) The most recent manager valuations for alternative investments.

(g) International investments are valued by the subcustodian using relevant closing market prices and exchange rates.

18.0 Performance Monitoring and Evaluation

18.1 The Board and its agents use a variety of compliance, verification and performance measurement tools to monitor, measure and evaluate how well STRS Ohio assets are being managed. Monitoring, reporting and evaluation frequencies range from hourly, to daily, weekly, monthly, quarterly and annually.

18.2 The Board has developed a performance monitoring and evaluation system that answers two fundamental fiduciary questions:

(a) Are the assets being prudently managed? More specifically, are assets being managed in accordance with established laws, policies and procedures, and are individual investment managers in compliance with their mandates?

(b) Are the assets being profitably managed? More specifically, has performance affected benefit security, has capital market risk been rewarded and has active management risk been rewarded?

18.3 If there is a deviation from Board policies, STRS Ohio investment staff is required to provide the Board with a report explaining how the deviation was discovered, the reasons for the deviation, the impact on Fund performance, if any, and steps taken to mitigate future occurrences.

18.4 Exhibit 2 is one of many reports used by the Board to monitor and evaluate performance of the total fund. Panel one indicates if the total fund return exceeded the 8.0% actuarial rate of return over the one-year period ending Sept. 30, 2003. Panel two indicates if the Fund was rewarded for investing in higher return but more risky equity investments over the same period. Panel three indicates if active management added or subtracted returns.

Exhibit 2: EXAMPLE Total Fund Board Report

STRS Ohio Total Fund Board Report
One-Year Return, Gross of Fees, Ending Sept. 30, 2003

Have returns affected benefit security?	
1. Total fund total return	19.81%
2. Actuarial rate of return	8.00%
3. Out-performance (1–2)	11.81%
Has plan been rewarded for capital market risk?	
4. Total fund total policy return	18.70%
5. Minimum risk/high cost policy of 91-day T-bills	1.22%
6. Impact of asset mix policy (4–5)	17.48%
Has plan been rewarded for active management risk?	
7. Active management effect (1–4)	1.11%

18.5 Additional reports provide the Board with a multilevel view of investment activities at different levels and over different time horizons. These include:

(a) Performance of the total fund;

(b) Performance of individual asset class strategies;

(c) Performance of internal and externally managed portfolios; and

(d) Performance of individual external managers.

Statement of Fund Governance

Effective Nov. 17, 2006

1.0 Purpose

1.1 This Statement of Fund Governance (the "Statement") summarizes the governance structure established by the State Teachers Retirement Board of Ohio (the "Board") to ensure the prudent, effective and efficient management of the assets of the State Teachers Retirement System of Ohio ("STRS Ohio").

1.2 The fund governance structure was approved by the Board after careful consideration of alternative approaches to governing a very large and growing pension fund within an increasingly complex financial and investment environment.

1.3 The Statement has been prepared with five audiences in mind: incumbent, new and prospective Board members; STRS Ohio investment staff; STRS Ohio active and retired members; Ohio General Assembly and Governor; and agents engaged by the Board to manage, administer or advise on STRS Ohio assets.

1.4 The Statement summarizes more detailed policy and procedure documents prepared and maintained by STRS Ohio investment staff, and numerous other documents that govern the day-to-day management of STRS Ohio assets.

1.5 The Board regularly assesses the continued suitability of the STRS Ohio fund governance structure, initiates change as necessary and updates this Statement accordingly.

1.6 The Board may authorize its administrative officers and committees to act for it in accord with its policies (ORC Sections 3307.04 and 3307.15). The Board, no less frequently than annually, adopts a resolution delegating to the Executive Director and the Deputy Executive Director — Investments, the authority to acquire, dispose, operate and manage the Fund, subject to the Board's policies and to subsequent approval by the Board.

1.7 In carrying out the operation and management of STRS Ohio, the Board, the Executive Director, his/her investment staff and others that are considered fiduciaries as defined in ORC Section 3307.01(K) are subject to various fiduciary responsibilities in ORC Chapter 3307, including those found in ORC Sections 3307.15, 3307.151, 3307.181 and 3307.18. This Statement incorporates, and is subject to, all of the provisions of ORC Chapter 3307.

1.8 The Board acknowledges its responsibilities under ORC Chapter 3307 and to the extent that this Statement is inconsistent with ORC Chapter 3307, Chapter 3307 shall control.

1.9 The Board approved this Statement on Nov. 17, 2006.

2.0 Governance Principles

2.1 Three principles guided the Board's development of the STRS Ohio fund governance structure:

(a) As STRS Ohio governing fiduciary, the Board is ultimately accountable for all investment decisions. Section 3307.15 of the Ohio Revised Code (the "Code") vests the investment function in the Board and requires the Board to "... adopt, in regular meetings, policies, objectives, or criteria for the operation of the investment program ..." Section 3307.15 of the Code sets forth the fiduciary responsibility of the Board in discharging its duties with respect to the fund.

(b) To ensure STRS Ohio assets are prudently, profitably and efficiently managed on a day-to-day basis, the Board needs to delegate the management and implementation of Board investment policies to qualified managing and operating fiduciaries. Sections 3307.04 and 3307.15 of the Code empower the

Board to authorize its committees and administrative officers to act for it in accord with Board policies. The fiduciary responsibility of Board delegates in discharging their duties with respect to the fund is specified in Section 3307.15.

(c) To ensure effective oversight of delegates, the Board requires informative and timely performance reports that reveal if managing and operating fiduciaries have complied with established policies, and indicate how assets under their care have performed relative to Board-approved investment objectives.

3.0 Investment Decisions Retained by the Board

3.1 The Board approves the following investment policies:

(a) Statement of Investment Objectives and Policy, which includes the following:

(i) Total fund risk and return objectives;

(ii) Total fund target asset mix policy;

(iii) Total fund asset mix policy rebalancing ranges;

(iv) Active management risk and return objectives at the total fund and asset class levels; and

(v) Performance measurement criteria and evaluation standards.

(b) Proxy voting;

(c) Ohio investments;

(d) Securities lending;

(e) Broker-dealer selection criteria and procedures;

(f) Ohio-qualified investment managers and brokers; and

(g) Securities litigation

3.2 Before approving or amending policy decisions, the Board seeks advice, guidance and recommendations from STRS Ohio investment staff, Board-retained investment consultants, and other experts or sources as considered prudent by the Board.

4.0 Investment Decisions Delegated to Investment Staff

4.1 The Board, through the Executive Director, has delegated to qualified STRS Ohio investment staff the following investment management and implementation decisions:

(a) Buying, selling, managing and monitoring individual securities, real assets and/or other investment transactions to achieve the total fund and asset class investment objectives approved by the Board;

(b) Retaining, managing and terminating external investment managers within each asset class as required to achieve the total fund and asset class investment objectives approved by the Board;

(c) Ensure total fund, asset class and individual manager portfolios comply with established parameters and risk levels; and

(d) Preparing, negotiating and executing external investment manager mandates, guidelines and fee agreements.

4.2 In making these decisions, STRS Ohio investment staff seeks the advice, guidance and recommendations of Board-retained investment consultants, external investment managers, and other experts and sources as considered prudent by STRS Ohio staff.

5.0 Board Oversight

5.1 The Board requires investment staff to prepare and deliver an Annual Investment Plan that explains how STRS Ohio assets will be managed in order to achieve the Board-established investment objectives. This provides the Board a focused opportunity to:

(a) Question and comment on staff's investment management plans;

(b) Request additional information and support about staff's investment intentions; and

(c) Express its confidence in the Annual Investment Plan.

5.2 The Board meets at least quarterly to assess how assets are being managed relative to the Annual Investment Plan, to monitor and evaluate investment performance relative to objectives and to address other investments as are warranted.

5.3 The Board approves the criteria and standards for monitoring and evaluating the impact different investment decisions have on total fund, asset class and manager-level performance. Performance is monitored and evaluated with respect to risk and return objectives established by the Board.

(a) Investment risks are monitored and evaluated quarterly by comparing total fund and asset class risk characteristics relative to suitable benchmarks.

(b) Investment returns are monitored monthly and evaluated quarterly by comparing total fund and asset class returns relative to suitable benchmarks.

5.4 Before approving or amending the criteria for monitoring and evaluating investment decisions, the Board seeks advice, guidance and recommendations from STRS Ohio investment staff, Board-retained investment consultants, and other experts and sources as considered prudent by the Board.

Investment Performance
(total returns, annualized on a fiscal-year basis, July 1–June 30)

1-Year Returns (2007)*

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities	21.24%	Russell 3000**	20.07%
International	30.79%	International Equity Composite***	30.07%
Fixed Income	7.14%	Lehman Universal	6.62%
Real Estate	26.72%	Real Estate Composite****	16.27%
Total Fund	20.73%	Total Fund Composite Benchmark	19.49%

3-Year Returns (2005–2007)

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities	12.98%	Russell 3000**	12.44%
International	27.30%	International Equity Composite***	25.99%
Fixed Income	4.83%	Lehman Universal	4.53%
Real Estate	25.19%	Real Estate Composite****	18.27%
Total Fund	15.51%	Total Fund Composite Benchmark	14.34%

5-Year Returns (2003–2007)

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities	11.65%	Russell 3000**	11.38%
International	20.49%	International Equity Composite***	19.06%
Fixed Income	5.73%	Lehman Universal	5.17%
Real Estate	19.65%	Real Estate Composite****	14.70%
Total Fund	13.17%	Total Fund Composite Benchmark	12.16%

STRS Ohio Long-Term Policy Objective (20 Years)

Total Fund: 8.40%

Investment performance is calculated using a time-weighted rate of return.

*The one-year returns for fiscal year ended June 30, 2007, have been examined by Vincent Performance Services LLC. A copy of the examination report is available upon request.

**The domestic equities benchmark is calculated using the Russell 3000 Index for all periods beginning on or after Aug. 1, 2003; the Domestic Equity Composite for April 1, 2003, through July 31, 2003; and the S&P 1500 Index for all periods before April 1, 2003.

***The international equities benchmark is calculated using 80% of the MSCI World ex USA Index (50% hedged) and 20% of the MSCI EMF Index for all periods beginning on or after Jan. 1, 2006; 75% MSCI World ex USA Index (50% hedged) and 25% MSCI EMF Index from July 1, 2003, through Dec. 31, 2005; and 75% EAFE (50% hedged) and 25% EMF from Oct. 1, 2000, through June 30, 2003.

****The real estate benchmark is calculated using 80% NCREIF Property Index (NPI), 10% NCREIF Timberland Index and 10% Wilshire REIT Index beginning July 1, 2002.

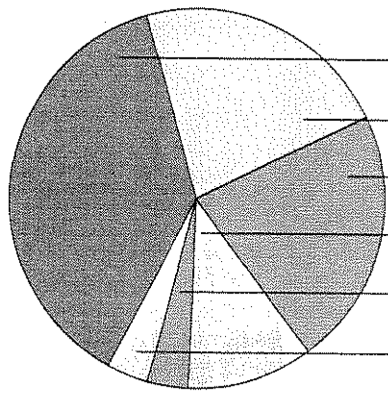
State Teachers Retirement System of Ohio is defined and created by the Ohio Revised Code, Chapter 3307.15. The STRS Ohio Total Fund performance results consist of all assets of the fund, including both internally and externally managed accounts. All results are calculated in U.S. dollars and net of brokerage commissions, expenses related to trading, and applicable foreign withholding taxes on dividends, interest and capital gains. Performance results are generally gross of fees. Net of fees results are available upon request. Investment management fees vary among asset class. The STRS Ohio real estate return includes the use of leverage. Dispersion data is not applicable. All measurements and comparisons have been made using standard performance evaluation methods, and results are presented in a manner consistent with the investment industry in general and public pension funds in particular.

Summary of Investment Assets
As of June 30, 2007 and 2006 (dollar amounts in thousands)

	June 30, 2007 Fair Value	%	June 30, 2006 Fair Value	%
Short term				
Commercial paper	$ 2,856,211	3.59%	$ 1,258,851	1.87%
Short-term investment funds	95,000	0.12%	1,000	0.00%
Total short term	2,951,211	3.71%	1,259,851	1.87%
Fixed income				
Guaranteed mortgages	7,804,648	9.81%	6,528,715	9.69%
U.S. government and governmental agencies	3,196,913	4.02%	3,413,839	5.07%
Corporate bonds	5,230,977	6.57%	4,174,899	6.20%
Canadian bonds	38,702	0.04%	38,610	0.06%
High yield and emerging market	1,240,954	1.56%	1,141,442	1.68%
Total fixed income	17,512,194	22.00%	15,297,505	22.70%
Domestic common and preferred stock	30,107,173	37.82%	26,483,442	39.30%
Real estate				
East region	2,420,671	3.04%	1,995,772	2.96%
Midwest region	1,123,493	1.41%	1,085,950	1.61%
South region	775,950	0.98%	709,109	1.05%
West region	2,081,172	2.61%	1,767,834	2.62%
REITs	632,036	0.79%	547,827	0.81%
Other	1,487,467	1.88%	978,227	1.46%
Total real estate	8,520,789	10.71%	7,084,719	10.51%
Alternative investments	2,730,080	3.43%	1,933,135	2.87%
International	17,777,792	22.33%	15,329,381	22.75%
Total investments	$ 79,599,239	100.00%	$ 67,388,033	100.00%

Investment asset schedule excludes invested securities lending collateral.

Investment Distribution by Fair Value — as of June 30, 2007



Ohio Investment Profile — as of June 30, 2007 (in thousands)

STRS Ohio continues to engage in quality Ohio investments. As of June 30, 2007, STRS Ohio investments in companies with headquarters in Ohio are valued at more than $1.6 billion.

Liquidity reserves	$ 69,914
Fixed income	218,903
Common stock	979,003
Alternative investments	180,774
Real estate	183,189
Total Ohio-headquartered investments	$ 1,631,783

Schedule of U.S. Stock Brokerage Commissions Paid
(for the year ended June 30, 2007)

Brokerage Firm	Shares Traded*	Commissions Paid	Avg. Cents Per Share
Instinet Corporation	128,675,136	$ 1,507,977	1.2
Lehman Brothers	38,461,012	1,094,718	2.8
Cantor Fitzgerald	27,298,735	747,905	2.7
Bear, Stearns & Company	19,990,175	713,971	3.6
Citigroup	16,676,395	659,702	4.0
Deutsche Bank Securities	25,780,438	648,727	2.5
JP Morgan Securities	15,824,473	628,284	4.0
Liquidnet Inc.	30,734,045	609,831	2.0
Banc of America Securities	14,286,240	539,090	3.8
ITG, Inc.	35,795,713	499,955	1.4
Credit Suisse First Boston	33,179,718	485,414	1.5
Merrill Lynch	13,868,527	475,443	3.4
UBS Investment Bank	11,351,494	431,365	3.8
Nomura Securities	28,931,566	395,200	1.4
Cowen & Company	8,225,228	360,837	4.4
Bernstein (Sanford C.) & Company	7,131,873	340,852	4.8
Prudential Securities	6,772,221	322,866	4.8
Bank of NY Direct Execution	10,590,838	305,089	2.9
Baird (Robert) & Company	7,788,221	291,932	3.7
Jefferies & Company	11,246,954	291,572	2.6
Wachovia Securities	9,367,546	266,283	2.8
Morgan Stanley	6,460,523	264,335	4.1
Goldman Sachs	5,940,495	261,613	4.4
Edwards (A.G.) & Sons	6,167,995	256,554	4.2
Piper Jaffray	6,963,762	212,164	3.1
Others (includes 57 brokerage firms and external managers)	200,874,080	5,369,964	2.7
Total	728,383,403	$17,981,643	2.5

* Includes option equivalent shares

Schedule of Largest Investment Holdings*
(as of June 30, 2007)

Domestic Equities — Top 20 Holdings

	Shares	Fair Value
Exxon Mobil Corp.	9,596,300	$ 804,937,644
General Electric Co.	19,541,000	$ 748,029,480
Microsoft Corp.	18,070,100	$ 532,525,847
Citigroup Inc.	10,324,000	$ 529,517,960
AT&T Inc.	10,691,714	$ 443,706,131
Pfizer Inc.	14,416,396	$ 368,627,246
Bank of America Corp.	7,535,357	$ 368,403,604
JPMorgan Chase & Co.	7,478,210	$ 362,319,274
Procter & Gamble Co.	5,861,149	$ 358,643,707
Johnson & Johnson	5,782,500	$ 356,317,650
Chevron Corp.	4,202,248	$ 353,997,371
Cisco Systems	12,596,300	$ 350,806,955
American International Group	4,972,500	$ 348,224,175
International Business Machines Corp.	3,203,200	$ 337,136,800
Altria Group Inc.	4,490,800	$ 314,984,712
Intel Corp.	13,142,099	$ 312,256,272
Verizon Communications	6,476,207	$ 266,625,442
Hewlett-Packard Co.	5,809,500	$ 259,219,890
ConocoPhillips	3,004,228	$ 235,831,898
Merck & Co., Inc.	4,595,177	$ 228,839,814

International Equities — Top 20 Holdings

	Shares	Fair Value
Total SA (France)	2,174,184	$ 176,963,719
Arcelor Mittal (Netherlands)	2,331,155	$ 146,571,539
Munchener Rueckvers (Germany)	644,120	$ 118,487,031
Vodafone (United Kingdom)	34,582,798	$ 116,442,967
Credit Suisse Group (Switzerland)	1,551,102	$ 110,575,989
Siemens AG (Germany)	750,463	$ 108,024,699
ABB Ltd. (Switzerland)	4,613,803	$ 104,679,445
Royal Bank of Scotland Group (United Kingdom)	8,077,299	$ 102,596,147
Toyota Motor Corp. (Japan)	1,591,076	$ 100,505,287
BASF SE (Germany)	754,494	$ 99,096,782
ENI SPA (Italy)	2,716,862	$ 98,713,982
JFE Holdings Inc. (Japan)	1,588,000	$ 98,639,132
Rio Tinto PLC ORD (United Kingdom)	1,246,260	$ 95,703,605
Fortis NPV (Belgium)	2,230,818	$ 95,005,101
Renewable Energy Corp. AS (Norway)	2,376,175	$ 92,564,657
BNP Paribas (France)	770,655	$ 91,976,000
NOKIA OYJ (Finland)	3,209,663	$ 90,217,405
ING Groep (Netherlands)	1,946,267	$ 86,199,084
Canon Inc. (Japan)	1,466,550	$ 85,869,424
Xstrata PLC (United Kingdom)	1,427,942	$ 85,586,836

Fixed Income — Top 20 Holdings

	Par Value	Fair Value
TBA 30YR FN, 6.00%, due 08/25/2032, AAA	240,778,640	$ 238,231,202
U.S. Treasury, 4.12%, due 05/15/2015, AAA	215,300,000	$ 202,877,190
Federal Home Loan, 5.165%, due 03/14/2008, AAA	190,000,000	$189,994,300
U.S. Treasury, 8.75%, due 05/15/2017, AAA	141,770,000	$ 181,736,381
U.S. Treasury, 4.25%, due 08/15/2015, AAA	181,385,000	$ 172,108,971
U.S. Treasury, 5.375%, due 02/15/2031, AAA	163,700,000	$ 168,303,244
CSFB 2001-CP4 A4, 6.18%, due 12/15/2035, NR	162,699,000	$ 165,461,629
FUBOA 2001-C1 A2, 6.136%, due 03/15/2033, AAA	154,725,737	$ 157,305,015
U.S. Treasury, 4.50%, due 11/15/2015, AAA	161,153,000	$ 155,411,119
U.S. Treasury, 4.625, due 02/15/2017, AAA	160,400,000	$ 155,381,084
Federal Home Loan Bank, 5.204%, due 12/15/2008, AAA	150,000,000	$ 149,980,050
U.S. Treasury, 6.00%, due 02/15/2026, AAA	135,760,000	$ 148,320,515
TBA 30YR FG, 6.00%, due 08/15/2032, AAA	146,910,000	$ 145,108,058
U.S. Treasury, 5.50%, due 08/15/2028, AAA	115,940,000	$ 120,436,153
U.S. Treasury, 4.25%, due 11/15/2014, AAA	120,100,000	$ 114,606,626
JPMCC 2001-C1 A3, 5.857%, due 10/12/2035, NR	106,425,000	$ 107,118,891
U.S. Treasury, 4.00%, due 02/15/2015, AAA	113,000,000	$ 105,809,810
CSFB 2001-CK3 A4, 6.53%, due 06/15/2034, AAA	101,635,000	$ 104,511,271
U.S. Treasury, 8.75%, due 08/15/2020, AAA	76,760,000	$ 102,545,219
Key 2000-C1 A2, 7.72%, due 05/17/2032, AAA	97,884,353	$ 102,272,509

*A complete list of investment holdings is available from STRS Ohio.

Schedule of External Managers
(as of June 30, 2007)

Domestic Equity

Large Cap Enhanced	Goldman Sachs Asset Management
	Intech
Small Cap	Chartwell Investment Partners
	David J. Green & Company
	Eagle Asset Management
	Fuller & Thaler Asset Management
	Lord, Abbett & Company
	M.A. Weatherbie & Company
	Next Century Growth Investors

International

EAFE	Arrowstreet Capital
	Alliance Bernstein
	Marvin & Palmer Associates
Emerging Market	First State Investments
	Genesis Asset Managers
	Marvin & Palmer Associates
	Alliance Bernstein

Fixed Income

High Yield	Pacific Investment Company
	Oaktree Capital Management
Emerging Market	Pyramis Global Advisors
	Stone Harbor Investment Partners